

**Statement of James R. Moseley, Deputy Secretary
United States Department of Agriculture
Before the Subcommittee on Conservation, Credit, Rural Development and
Research
House Committee on Agriculture
June 4, 2003**

Thank you for the opportunity to appear before you today to discuss implementation of the Conservation Title of the Farm Security and Rural Investment Act of 2002. I would like to focus the thrust of my statement regarding the various issues surrounding technical assistance, however, I would like to first take a moment to emphasize the importance of private lands conservation by our nation's farmers and ranchers. I want to thank Members of this Subcommittee for their continued strong support of conservation, which largely resulted in the innovative provisions in the 2002 Farm Bill.

One year ago, we witnessed enactment of one of the most important pieces of conservation policy in the 2002 Farm Bill. The President supported and welcomed a strong conservation title in the Farm Bill, as he recognizes that for farmers every day is Earth Day, and that the effective conservation programs included in the bill enables farmers to be better stewards of our nation's natural resources. The legislation responds to a broad range of emerging conservation challenges faced by farmers and ranchers, including soil erosion, wetlands conservation, wildlife habitat improvement, and farm and ranchland protection. Private landowners will benefit from a portfolio of voluntary assistance, including cost-share, land rental, incentive payments, and technical assistance. The Farm Bill places a strong emphasis on the conservation of working lands – ensuring that lands remain both healthy and productive. The legislation has also placed tremendous responsibilities upon the Department, especially the Natural Resources Conservation Service (NRCS) and Farm Service Agency (FSA).

The men and women of the Department have made impressive progress in one year on implementation of the Farm Bill Conservation Title. To date, we have published final rules for six programs, and have proposed rules out for public comment on several others. Staff have worked hard to prepare and update technical standards and specifications and ensure that as much information as possible is available in electronic format and user-friendly for our customers.

Fund Availability

A little more than one month ago, we released the funding allocations to states for the NRCS conservation programs. Through these allocations, more than \$1.8 billion has been made available to conduct programs where we provide technical and financial assistance to farmers and ranchers. An additional \$1.6 billion has been issued to farmers and ranchers under the Conservation Reserve Program. And beyond allocating the funds, we have been working expeditiously to set in place the program guidelines and technical tools needed to implement these conservation opportunities on the ground. Given the widespread provisions and complexity of the Farm Bill, I think this record is a testament to the hard work and dedication of our staff and I am proud of what we have accomplished. One year after enactment, we are open for business, and ready to meet the needs of farmers and ranchers.

Unfortunately, the issue of funding for technical assistance has not been resolved through passage of the 2002 Farm Bill or the subsequent Omnibus and Emergency Supplemental appropriations bills. We understand and fully share the frustration that Members of Congress have expressed over this long-standing issue. This issue has roots that are nearly a decade old. In order to gain a better understanding on which to base our discussions, I would like to provide an historic overview of the technical assistance issue.

What is Technical Assistance?

When boiled down to the most simple terms, conservation assistance is comprised of two components: financial and technical. In the case of USDA programs, financial assistance takes the form of cost-share payments, land rental payments, or easement acquisition purchases. Technical assistance, on the other hand, represents in-person advice and consultation from conservation experts in the field. In addition to FSA's Agricultural Conservation Program providing funding for installation of conservation practices, technical assistance has been the basis of USDA's mission in conservation, since 1935, when the Soil Conservation Service was first formed. Field staff analyze soil types, gain an understanding of the farmer or rancher's goals, and provides a conservation plan and assistance in implementing the plan. NRCS has a specific line-item in its budget called "Conservation Operations Technical Assistance" which for nearly 60 years has represented this ongoing effort of providing conservation technical assistance to farmers and ranchers.

Over the years, as agriculture and conservation issues have gained complexity, conservation technical assistance has become more involved. The field conservationist considers natural resource factors, including soil, water, air, plant, and animals when providing conservation assistance. Conservation technical assistance might involve providing advice on a crop rotation, implementing conservation tillage, or helping to implement a nutrient management plan. On the more complex side, conservation technical assistance might include developing an entire animal waste system, including design, engineering of containment structures and distribution systems.

Looking at an historic timeline, financial assistance evolved as a means of helping producers cover the cost of applying conservation measures to their land. Cost for constructing fences, developing livestock watering systems, making irrigation improvements, constructing terraces, or removing environmentally sensitive lands from production are just a few examples of the kinds of conservation improvements that USDA funding helps farmers implement.

How Does the Conservation Technical Assistance Program Relate to Financial Assistance Programs?

As conservation cost-share, land retirement, and easement programs were developed, funding for a corresponding technical and financial assistance component was included as well. That is to say, while a producer might have a conservation plan in place with production and conservation goals and strategies established in the plan, the specific design and implementation of the funded project would be funded by the program. In short, Conservation Operations provided an important part of the technical assistance cost for Farm Bill conservation programs, while the financial assistance programs provided both cost share assistance to help producers finance projects and technical assistance funding for the design and implementation work that producers needed as well.

What Went Wrong?

The major shift in program structure that produced the current problem occurred in the 1996 Farm Bill. Essentially, new and revised conservation programs, which had been previously funded through discretionary appropriated accounts became “mandatory spending” under the Commodity Credit Corporation (CCC). While this would not have been a problem in and of itself, a provision of the 1996 Farm Bill caused major ramifications.

Section 161 of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Farm Bill) amended Section 11 of the CCC Charter Act. This section allows Federal and State government agencies to be reimbursed for service provided to implement the CCC programs. The 1996 Farm Bill capped the amount of money which can be reimbursed to agencies under Section 11. This amount was the sum total spent under Section 11 authority by the CCC on various USDA programs in fiscal year 1995, before the CCC was given the expanded conservation program responsibility. The cap does not provide

sufficient funding to adequately implement the technical assistance under conservation programs authorized in the 1996 Farm Bill.

Although modest amounts of funding under Section 11 authority has been used, most needs were met with carry-over appropriated funding balances remaining from previous spending authority—the carry-over funds have since been depleted. A limited amount of new funds were also appropriated by the Congress to reimburse NRCS for technical assistance to implement the CCC-funded conservation programs. In addition, as discussed above, a significant portion of NRCS’s Conservation Operations account was also used to pay the technical assistance costs needed to deliver the Farm Bill conservation programs. In FY 2002, over \$100 million was used to provide technical assistance to producers for Farm Bill programs.

The 2002 Farm Bill and Omnibus Appropriations Bill

The 2002 Farm Bill included language regarding the funding of technical assistance, but this language resulted in varying interpretations. The language was added during the Conference Committee’s consideration of the Farm Bill. The Conference Committee also deleted a Senate provision that would have amended Section 11 by “excluding transfers and allotments for conservation technical assistance” from the Section 11 limitation. Congress made these changes in Conference in order to avoid the Congressional Budget Office (CBO) scoring the 2002 Farm Bill at a substantially higher amount. In the face of Congress adding this new technical assistance language and dropping the Senate amendment to Section 11, the General Counsels for USDA, CBO, and the Office of Management and Budget (OMB) concluded that Congress kept in place the Section 11 limitation on the CCC’s technical assistance spending for the conservation programs. USDA and OMB also concluded NRCS’s Conservation Operations account was available to fund technical assistance activities under the Farm Bill programs.

The General Accounting Office (GAO), however, disagreed with USDA, CBO, and OMB and concluded that the Section 11 cap no longer applied and that the 2002 Farm

Bill provided authority to fund technical assistance from mandatory funds. GAO also concluded that appropriated funds could not be used to implement the Farm Bill programs.

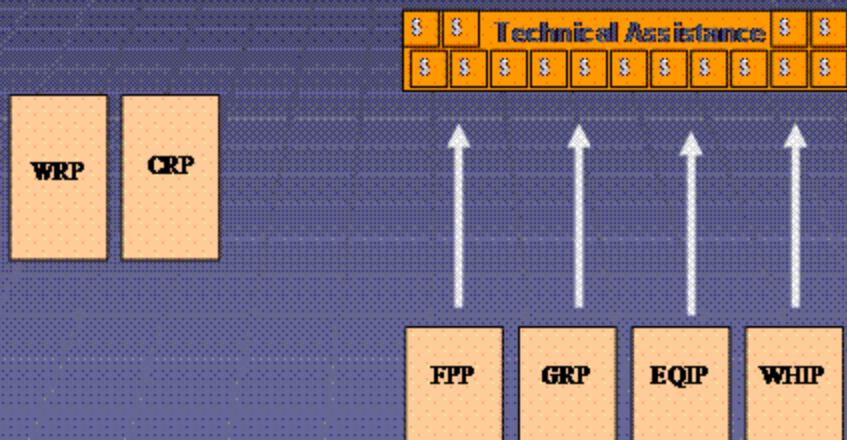
On January 3, 2003, the Justice Department Office of Legal Counsel (OLC) issued a legal opinion that concluded that the Section 11 cap did apply, and that existing appropriated funds from the Conservation Operations account could be used to fund technical assistance for the Farm Bill conservation programs. Because OLC is the ultimate arbiter for the Executive Branch on legal issues, the OLC opinion is binding on the Department.

In response to the opinion and to ensure effective implementation of the conservation programs, the President proposed in a budget amendment to the FY 2003 Omnibus Appropriations bill and in the FY 2004 Budget a new mechanism for funding Farm Bill conservation technical assistance costs. The proposal would have created a dedicated, discretionary account in NRCS's budget that funded all of the Farm Bill conservation programs' technical assistance needs.

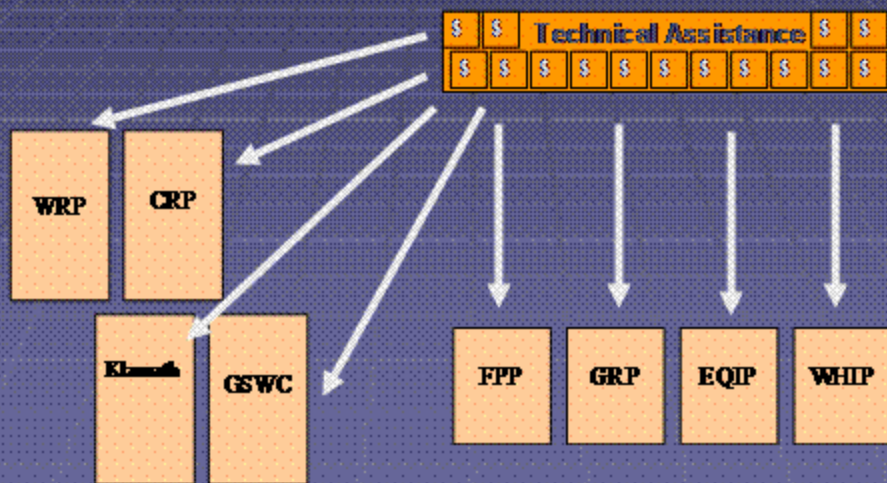
The Consolidated Appropriations Resolution of 2003 (Omnibus Appropriations Act) did not, however, incorporate the Administration's proposal. Instead, the Act directed that technical assistance activities be funded from four programs: the Environmental Quality Incentives program (EQIP), Wildlife Habitat Incentives program (WHIP), Grassland Reserve Program (GRP), and Farm and Ranchlands Protection program (FRPP) to support technical assistance needs of these programs, as well as the Wetlands Reserve Program (WRP) and Conservation Reserve Program (CRP). The Omnibus Appropriations Act also prohibits NRCS from using appropriated funding from the Conservation Operations account to support Farm Bill conservation programs.

The following two graphics display how the Omnibus Appropriations Act technical assistance approach functions:

Four Programs Donate Technical Assistance Funding



Technical Assistance Funding is Contributed to Other Programs



Current Status

USDA is implementing the law and providing funding in accordance with the directives provided by the Omnibus Appropriations Act. This approach has resulted in less financial assistance being available for the four donating programs in carrying out conservation projects and conservation practices than many producers had expected. The total level of financial and technical assistance funding under this arrangement, however, still exceeds the total conservation spending under the 1996 Farm Bill.

In contrast, the President's Budget Amendment for FY 2003 and subsequent Budget submission for FY 2004 proposed a dedicated technical assistance account that would fund all activities associated with the Farm Bill conservation program implementation.

We believe that the President's Budget proposal for a dedicated technical assistance account for Farm Bill implementation would be the best approach and we urge its adoption. The 2004 Budget proposal maximizes the amount of financial assistance dollars to help producers install conservation projects while also ensuring that there will be adequate technical assistance funding to deliver the programs. It also increases the level of accountability and transparency of the conservation programs' cost of delivery- all of the necessary technical assistance funding is provided through one account. Importantly, the 2004 Budget proposes to use a portion of NRCS's Conservation Operations account, as has been done historically, to help deliver the Farm Bill programs. This allows for more mandatory dollars to be used for financial assistance to producers to install conservation projects.

In FY 2004, the budget requests \$432 million for this new account and it would be funded through a combination of sources. The budget proposes reducing the Farm Bill programs' funding levels by 15 percent and then appropriating this total amount into the new discretionary technical assistance account. In this way, all of the dollar-limited programs provide an equitable share of their resources to fund technical assistance. The budget also follows historical precedent and transfers a portion of the Conservation

Operations account to the new technical assistance account. Finally, the budget provides additional resources to the new account through a general appropriation increase in order to help cover the technical assistance of the non-dollar-limited programs, such as the Conservation Reserve Program and Wetlands Reserve Program.

Streamlining

While the debate on this issue has evolved into a discussion of which accounts should cover the cost of technical assistance, both NRCS and FSA have been making concerted efforts this year to improve and streamline business processes where possible. I am very proud of the gains that have been made to strengthen service to customers, and to speed planning at the local level including deployment of the customer service toolkit – a computer-based conservation planning system. For FY 2003, NRCS has reduced technical assistance needs required for the EQIP program and continues to make improvements. Technical Assistance costs have been reduced by \$2.7 million for FY 2003 and \$3.7 million for FY 2004. We are looking at reduced cost opportunities for each of our programs. By mid-summer we will assess the technical assistance needs and funding available and sweep accounts in order to convert any unused technical assistance funding back into program dollars.

We have also recently proposed rule changes for the Conservation Reserve Program (CRP) and continue to make streamlining and implementation improvements. For this signup, the Farm Service Agency will develop and rank eligible CRP offers using the Environmental Benefits Index (EBI) for environmental benefits to be gained from enrolling the land in CRP. Decisions on the EBI cutoff will be made after the sign-up ends following analysis of EBI numbers of all the offers. We believe that landowners and our field staff will benefit from the improved process.

In addition to the time savings, an estimated \$8 million in technical assistance costs will also be saved with an expected Environmental Benefits Index error rate reduction from over 40 percent to less than five percent.

Beyond savings in time and technical assistance costs, we have also seen substantial improvement in accuracy using common computing environment technologies. CRP is the first program with widespread use of GIS. In addition, FSA also developed a personal computing tool that utilizes new national data bases. FSA has replaced the error-prone manual process of previous general signups with automated land eligibility, acreage determination, rental rate calculation, forms preparation, and environmental benefits index calculations. The new offer process reduces county office entries by over 90 percent while increasing the accuracy of the determination.

In the near term, FSA's goal is to expand the CCE software to include continuous signup and farmable wetlands program functionality and, ultimately, to enable producers to make offers online using their home PC.

Increasing Third-Party Technical Assistance

With the historic increase in conservation funding made available by the 2002 Farm Bill, NRCS will look to non-federal partners to supply much of the technical assistance needed to plan and oversee the installation of conservation practices. NRCS will use the new Technical Service Provider (TSP) system authorized in the Farm Bill to facilitate this technical assistance delivery. The TSP system ensures that producers have the maximum flexibility for choosing a third-party provider to work on their land, while also ensuring that TSP providers are properly certified and meet NRCS standards.

Interest in the program has been impressive, and NRCS also continues to sign MOU's with outside organizations to assist with these efforts. But we know that while TSP's will greatly enhance our work, they will not take the place of our trained field conservationists.

Conclusion

In addition to this Administration's strong commitment to conservation, I would like to leave you with the following:

- 1. Technical Assistance is important, both in helping producers plan and apply non-cost shared measures through the NRCS Conservation Technical Assistance Program AND as a component of each of our Farm Bill Conservation Programs.**
- 2. Through a series of events over the past decade, technical assistance funding mechanisms have become increasingly convoluted.**
- 3. Funding procedures for technical assistance under current law result in inequities as only a few programs provide a disproportionate share of the technical assistance funding needs for all conservation programs.**
- 4. The President's Budget Proposal for an appropriated, dedicated Farm Bill Technical Assistance account is the best approach and should be enacted.**

As we look ahead, it is clear that the challenge before us will require dedication of all available resources – the skills and expertise of the FSA and NRCS staff, the contributions of volunteers, and continued collaboration with partners. Conservation Districts, Resource Conservation and Development Councils, FSA farmer-elected county committees, and many valuable partners continue to make immeasurable contributions to the conservation movement. It is this partnership at the local level that makes a real difference to farmers and ranchers. As we move forward, we will accelerate the use of third-party sources of technical assistance and make every effort toward improving efficiencies. We recognize that the workload posed by future demand for conservation will continue to be strong and seek to complement our resources with an appropriate system of qualified expertise. We will continue to do our best to provide quality conservation programs for America's farmers and ranchers.

The enactment of the Farm Security and Rural Investment Act of 2002 represents one of the most significant opportunities and challenges in the history of American private land conservation. Pressure from natural resource challenges and associated regulatory

activity will mean an ever-increasing sense of urgency on the part of farmers and ranchers to get conservation practices on the ground. Adequate and uninterrupted funding to provide technical assistance is critically important. The President's budget proposal represents an important step in the direction of the Nation's conservation efforts.

It will take a strong focus and resolve if we are to be successful. I am proud of the tenacity that our people exhibit day in and day out as they go about the work of getting conservation on the ground and I believe that we will be successful.

I look forward to working with you as move ahead in this endeavor.

This concludes my statement. I will be glad to answer any questions that Members of the Subcommittee might have.